



HUMAN CAPITAL MANAGEMENT INSTITUTE

Optimizing Analytics with Workforce Data Segmentation

May 6, 2015

About Human Capital Management Institute

The **Human Capital Management Institute (HCMI)** was founded on the belief that organizations can and must, find better ways of measuring their investments in human capital. Our vision of the future is one in which human capital measurement and information is as integral to business decision making as financial information is today.

- We Bring Financial Discipline, Standards and Rigor to the HR Function -

HCMI Background:

- World leading tools/methodology
- 100+yrs experience Analytics & Planning
- Deep Finance & HR expertise
- Advisory Board CFOs and HR heads

What We Do:

- Measure the immeasurable in human capital
- Full service tools, consulting & training
- Transform workforce data into intelligence
- Tools so HR can make the business case

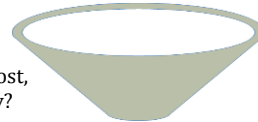
Workforce Assessment ▪ Strategic Consulting ▪ Training
Best Practices ▪ Workforce Analytics and Planning ▪ Benchmarking

HCMI Analytics and Planning Methodology

HCMI combines world-class human capital analytics knowledge with advanced workforce solutions to rapidly deliver workforce insights linked to financial results.

Step 1: *Input Workforce Question*

Can we model our workforce to optimize cost, profit and productivity?



What is the profile of top performing store managers?

Step 2: *HCMI Process*



Step 3: *Outcomes and Deliverables*

We Guarantee Client ROI... Typically in the \$10's of Millions!

Dashboards



Human Capital Financial Statements



Workforce Analytics and Planning with ROI



Key Human Capital Questions

Use Critical Questions to Search for Answers

- Can we model our workforce to optimize cost, profit and productivity?
- What are the predictive indicators of turnover? What percent of employees are at risk?
- What is our Total Cost of Workforce as a percent of revenue and expenses? How do we compare to peers?
- Is internal mobility a source of value or turnover and cost? What percent of the workforce moves internally each year?
- What is the link between employee engagement, customer satisfaction, revenue and profits? What are the drivers?"

"Human Capital Management Institute
Setting the Human Capital Standard"

25 Key Human Capital Questions

#	Question
1	How much of our workforce will retire in the next 3-5 years?
2	What percentage of our workforce is customer-facing or revenue-generating? What is the trend?
3	Can we model our workforce to optimize for productivity and profitability?
4	What is our revenue per full time equivalent employee (FTE)? What is our profit per FTE? Is it higher than our peers?
5	What is the ROI or marginal return of one more dollar invested in compensation and benefits (e.g. incremental new hire in a critical role or additional pay or benefits)?
6	Is the ROI on Human Capital higher than the ROI for other business capital (i.e., on working capital, invested capital)?
7	Is workforce productivity increasing, decreasing or static? How are we performing versus peers?
8	What is the average time-to-full-productivity for new hires? For new hires in critical roles?
9	Do we have a leading indicator of employee turnover? What is the percentage of employees at risk?
10	Are leaders effectively managing our human capital? Is there a correlation between manager effectiveness and workforce engagement, performance and retention?
11	What business areas, positions or managers have the highest voluntary turnover? What is the trend and how do we compare to peers?
12	Where does our best talent come from? Which businesses or managers are the best talent scouts and coaches? Which businesses or managers are magnets for high potential employees?
13	What is the cost of turnover to our business? Are we losing the right people (low performers) or the wrong people (high performers or critical roles/skills)?
14	Do we know the leading statistical drivers of employee turnover? Conversely, do we know the leading drivers of employee engagement and retention?
15	What is the quality of our new hires and how do we measure it? Are we hiring better people or not?
16	What recruiting source yields the most high performers? What Recruiting source yields the best cultural fit and retention?
17	What is the cost impact to the business of new hire terminations? (i.e. recruiting, training, onboarding & termination)
18	Is there a link between employee performance and total pay/rewards? If so, do we know the optimal pay for performance mix?
19	What is the total pay/rewards differential between high performers and average employees?
20	Could we offer compensation and benefits that both cost less and engage/retain employees better?
21	What is our total cost of workforce as a percentage of revenue? As a percentage of expenses? How do we compare to peers?
22	What is the statistical link between training and firm profitability? By course or instructor? If so, where could investments in training improve productivity and profitability?
23	Is internal mobility a source of value creation or of turnover and cost at the organization? What percentage of the workforce moves internally each year?
24	What percent of the workforce has a defined career path?
25	Is there a link between employee engagement, customer satisfaction and increased revenue and profits? If so, what are the value drivers?

For more information on *The Human Capital Chronicles*, please visit: www.hcmimst.com

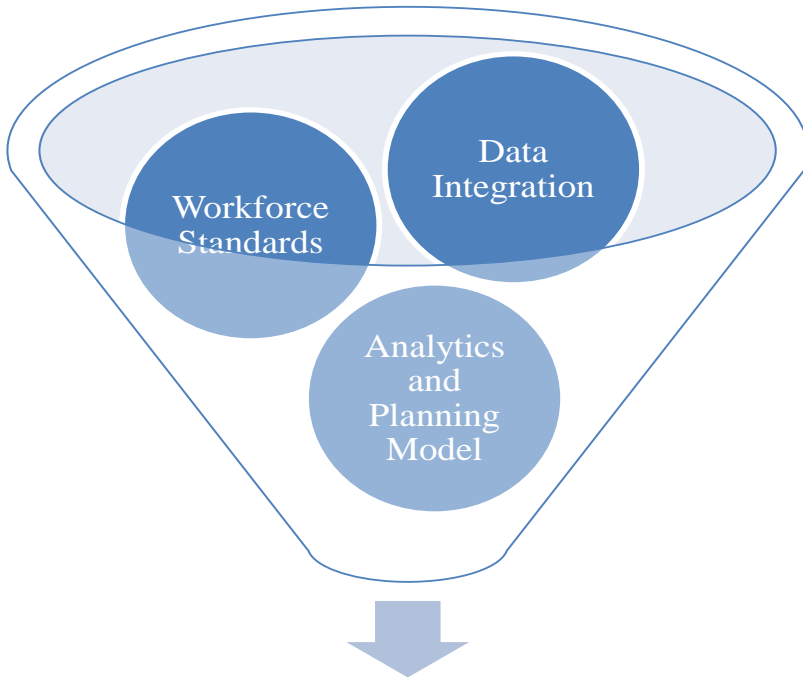
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Workforce Data Blueprint



***Sustainable Framework for
Workforce Measurement, Analytics
and Planning***

Data Integration:

- Comprehensive systems and data flow map
- Data quality analysis, data gap identification and recommendations for optimization and proxies
- Current and desired future state capability report

Workforce Standards:

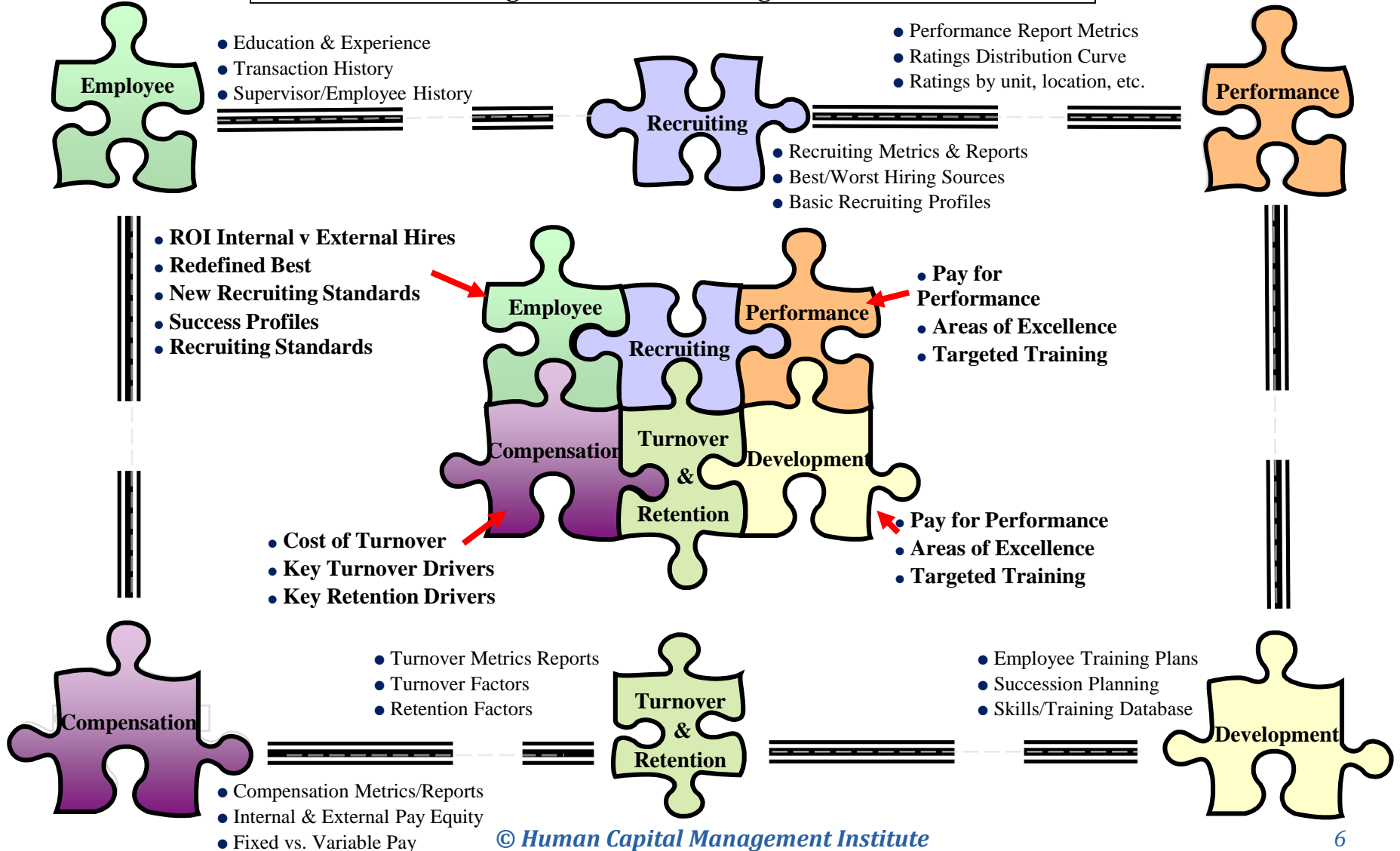
- Metrics standards, definitions, formulas and best uses for predictive linkage to business results
- HCMI Job Framework model
- Transaction and timing standards

Analytics and Planning Model:

- Data segmentation, cohort analysis, trending and predictive modeling
- Structured analysis, insights and ROI across the talent management lifecycle

The Power of Combined Data Sources

Position Profiling, Predictive Modeling, Fact Based Decisions



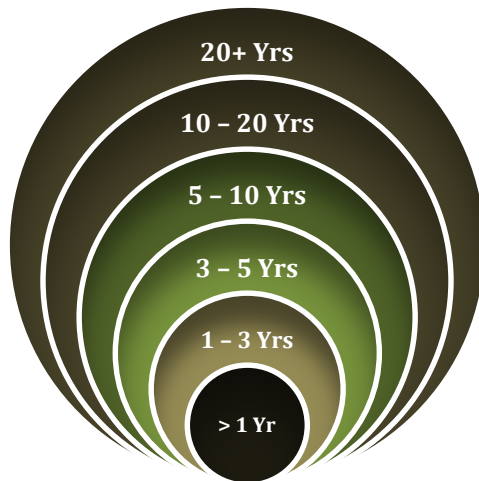
Cohorts: Grouping Data to Enable Comparison and Analysis

Definition: A cohort is a group of subjects with a common defining characteristic. Typically, the term is used to identify groups over a particular span of time. However, cohorts can also be used in cases where the defining characteristic is not time based, such as ethnicity, region or gender.

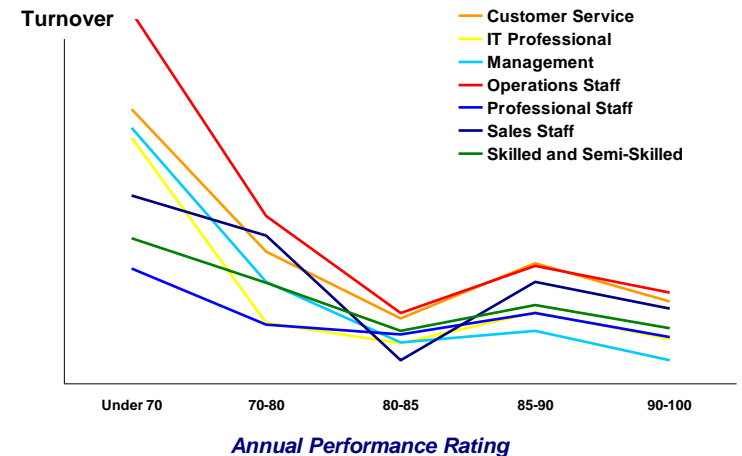
Additionally, cohorts can be modified by censoring, or excluding certain subjects from analysis when their data would contaminate the results.

Examples of Cohorts in Workforce Data: Examples include, but are not limited to, Job Categories, Tenure Groups, Age Groups, Division or Business Units, Hiring Classes, Compensation Level, Performance Rating Categories, Productivity Level, Turnover Category, Mobility Category, Work Experience, Education Level and Span of Control.

Employee Tenure

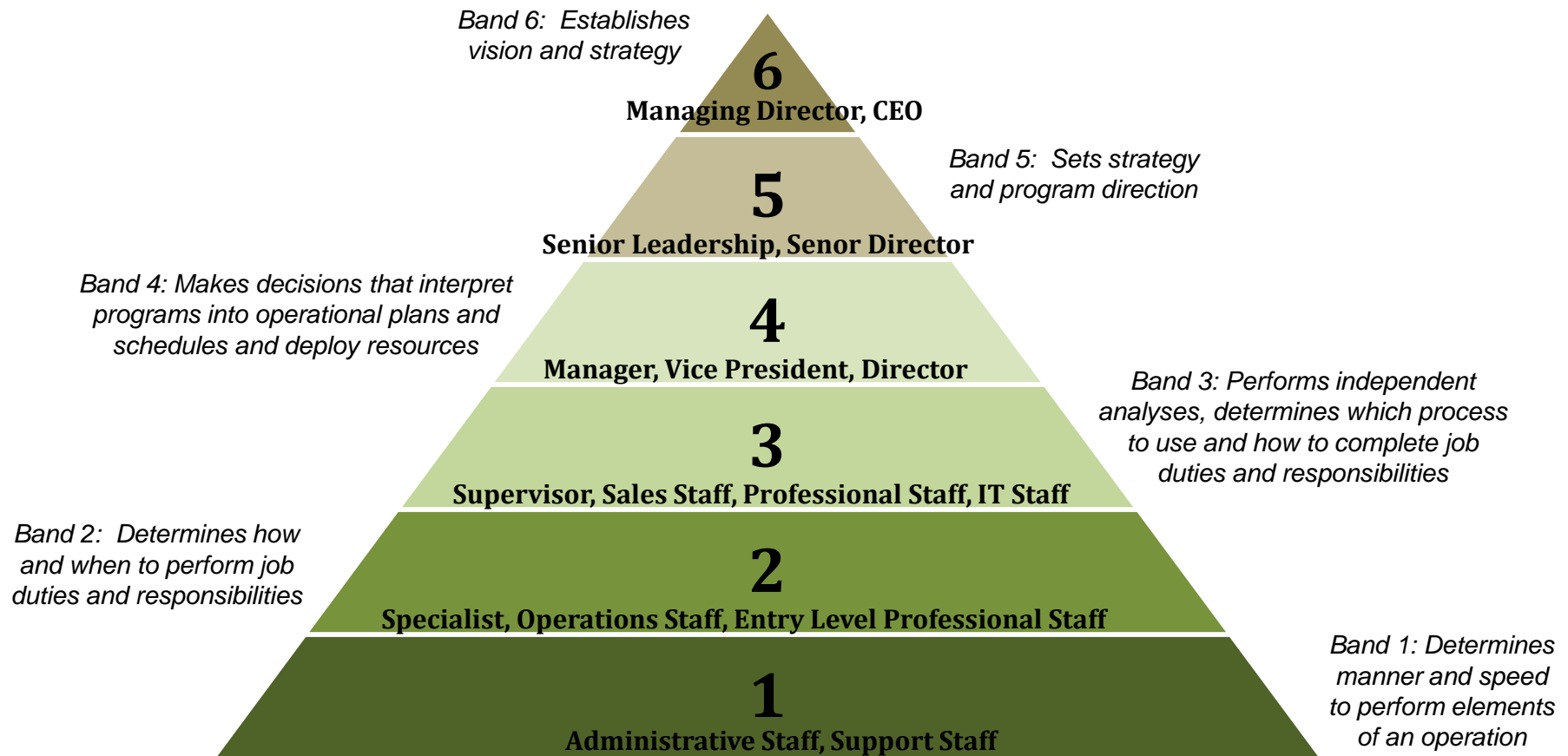


Job Group and Performance Rating

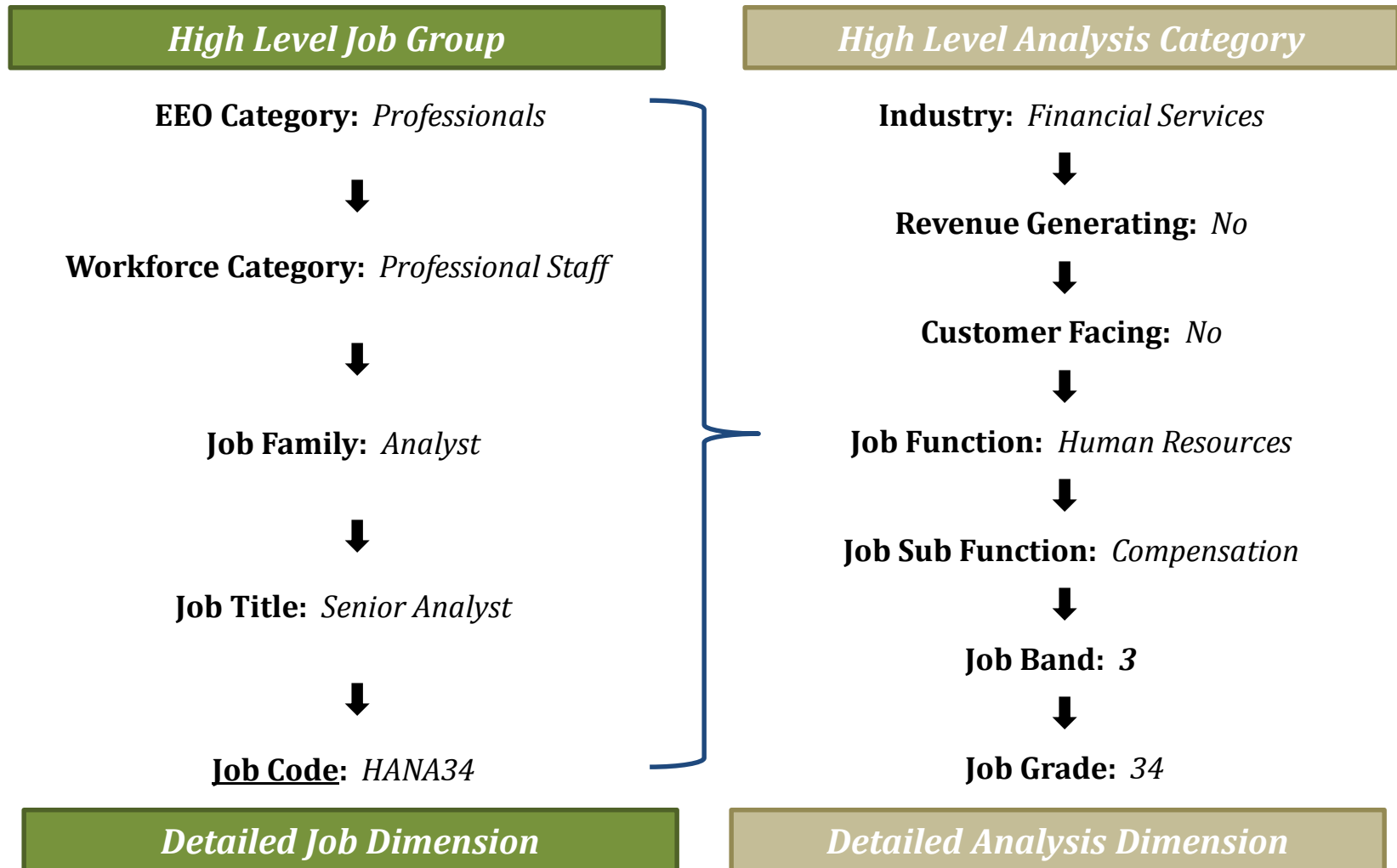


Leveraging the Decision Band Method

High level workforce segmentation methodology by level of responsibility and value and importance of decision making .



Components of a Job Classification Framework



Example: Identifying Workforce Segments Across the Organization

A Job Classification Framework enables segmentation and grouping of positions by role and function across Business Units or Divisions. For example, how many analysts do we have across the organization, or how many employees do we have in HR (both Centralized and Decentralized)?

<u>Position / Role</u>	<u>Job Function*</u>					<u>Total</u>
	HR	Finance	IT	Marketing	Customer Service	
Vice President	2	4	2	3	2	13
Manager	8	14	10	12	16	60
Analyst	12	23	18	22	6	81
Trainer	14	0	0	0	0	14
Recruiter	20	0	0	0	0	20
Specialist	18	32	23	26	115	214
Total	74	73	56	65	146	

* Note: While some Job Functions have the same name as the corresponding Business Unit or Division, Job Function is the core service or function that positions perform, not where they "sit" in the organization.

Driving Value with a Job Classification Framework

Top Down

**Industry, HR Expertise, Business Lines
Cost Impact, Benchmarks
*Job Function***

Identify and Share Talent

Aggregation of common job attributes, skills and competencies across lines of business and companies.

Uncover Hidden Value

Powerful drill down capability to identify job characteristics and skills that drive workforce productivity.

Critical Job Roles

Job Detail
**Skills, Customer Facing,
Revenue Generating, Time to Productivity**

Bottom Up

Identifying Critical Job Groups

What Critical Job Roles/Groups Are:

- A large, high cost or high impact group of jobs, typically “Core” to the organization.

What Critical Job Roles/Groups Are Not:

- A single person or unique individual job.
- If you could hire just 1 person in 1 job role, what job would it be?
- What job roles, if eliminated, would cause your business to fail?
- What job roles, if filled with “A” players, drive gains in productivity, revenue or profit?
- If this group’s productivity improved 10% would it impact revenue or profit significantly?

Traditional Methodology Example:

Strategic

- Sales
- **Pilots**
- Sr. Management
- Doctors

Non-Strategic

- **Flight Attendants**
- Engineers
- Customer Service
- Nurses



New Methodology Example:

*Strategic Critical **

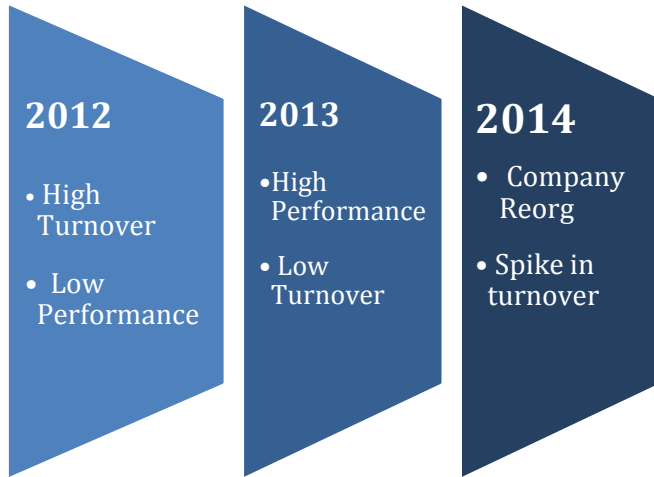
- Sales
- **Pilots**
- Doctors
- Sr. Management

*Operational Critical **

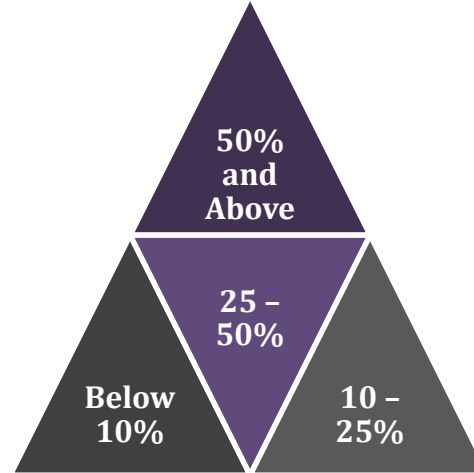
- Nurses
- Engineers
- Customer Service
- **Flight Attendants**

Advanced Workforce Segmentation

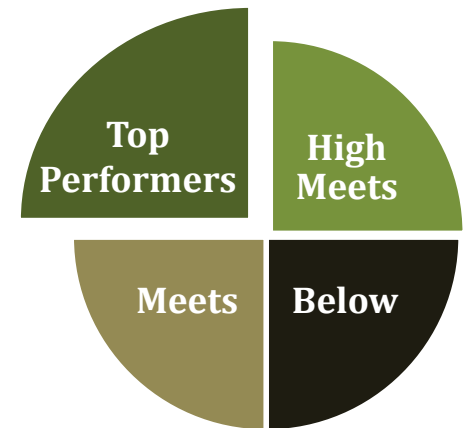
Hiring Classes



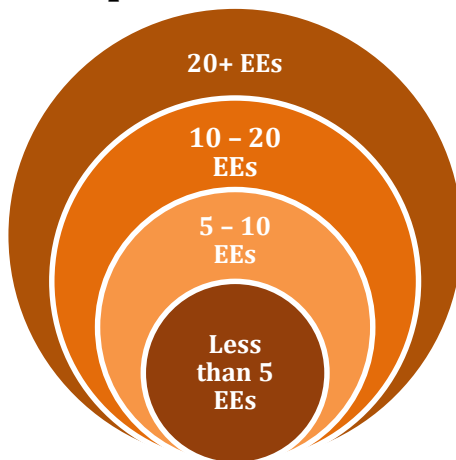
Mobility Categories



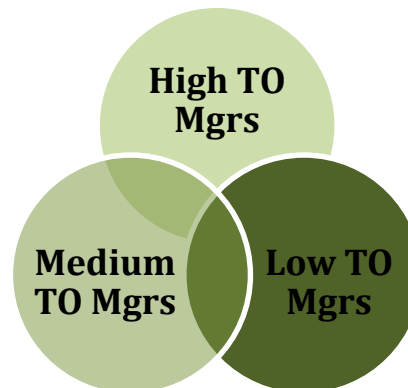
Performance and Productivity Quartiles



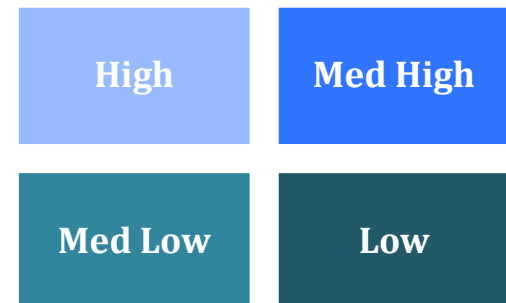
Span of Control



Managed Turnover



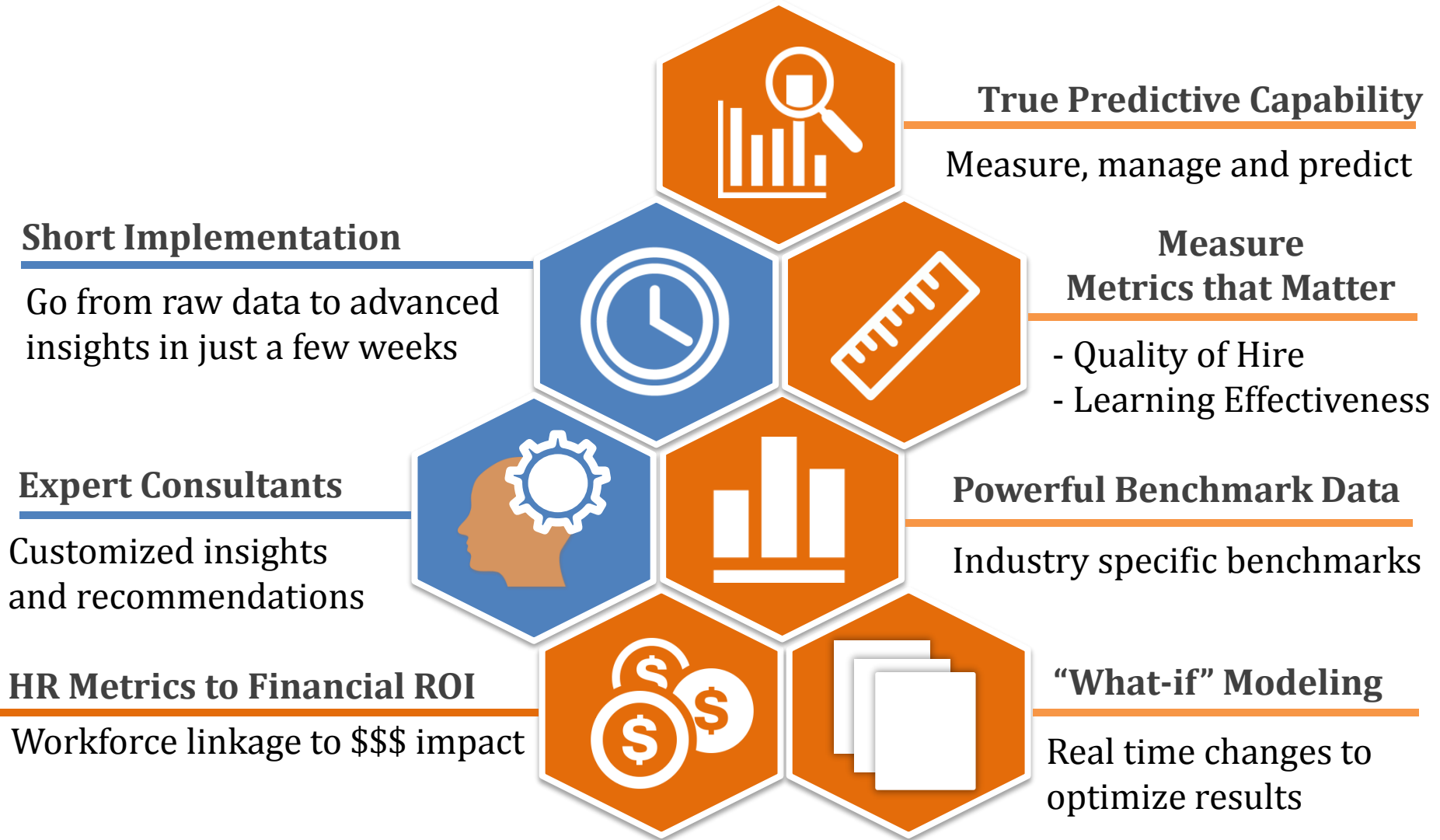
Turnover and Retention Quartiles



SOLVE

Workforce Intelligence Software

SOLVE Dashboards Overview



Questions

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***Workforce Intelligence
Consortium Group***



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